

**MT. PLEASANT CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2007**

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GOVERNMENT AUDITING STANDARDS REPORT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 24, 2007

Honorable Mayor
Members of the City Council
Mt. Pleasant City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mt. Pleasant City, Utah (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 24, 2007 on my consideration of Mt. Pleasant City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Pleasant City's basic financial statements. The combining nonmajor fund statements and the schedule of impact fees listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combined nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures, applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

 CPA
Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Mt. Pleasant City for the fiscal year ending June 30, 2007. Mt. Pleasant City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, public safety, streets, planning, etc, while business-type activities refers to operations such as the sewer, water, power and pressurized irrigation.

FINANCIAL HIGHLIGHTS

- The total net assets of Mt. Pleasant City increased by \$1,267,703 totaling \$13,190,603. The governmental net assets increased by \$837,495 and the business-type assets increased by \$430,208.
- The total net assets of governmental and business-type activities is \$13,190,603 and is made up of \$10,882,210 in capital assets, such as land, infrastructure and equipment, and \$2,308,393 in other net assets. The \$2,308,393 in other net assets is made up of \$992,458 which is restricted for community improvements such as street improvement projects, cemetery projects and the Redevelopment Agency. \$527,687 is restricted for debt service primarily for the water, sewer, power and irrigation fund bonded debt as well as the Community Center. Finally, the remaining \$788,248 is unrestricted net assets.
- Total long term liabilities of the City decreased by \$330,648. The long term debt for governmental activities decreased by \$14,271. The business-type activities long term debt decreased by \$316,377.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Mt. Pleasant City's basic financial statements. Mt. Pleasant City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Mt. Pleasant City's finances, in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all of Mt. Pleasant City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Mt. Pleasant City is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Mt. Pleasant City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 12-14 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mt. Pleasant City also used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental funds in a reconciliation included with the fund financial statements.

The two major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Special Revenue Fund for the Redevelopment Agency (RDA). The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** - Mt. Pleasant City maintains two types of propriety funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Mt. Pleasant City uses enterprise funds to account for its Pressurized Irrigation Utility, Water and Sewer Utility, Power Utility funds. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water, sewer and power funds meet the criteria for major fund classification.

Additionally, the City reports the following fund types:

- Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- Internal Service Funds account for internal and shared services provided to other departments of the City on a cost-reimbursement basis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Mt. Pleasant City, assets exceed liabilities by \$13,190,603.

By far the largest portion of Mt. Pleasant City's net assets (82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

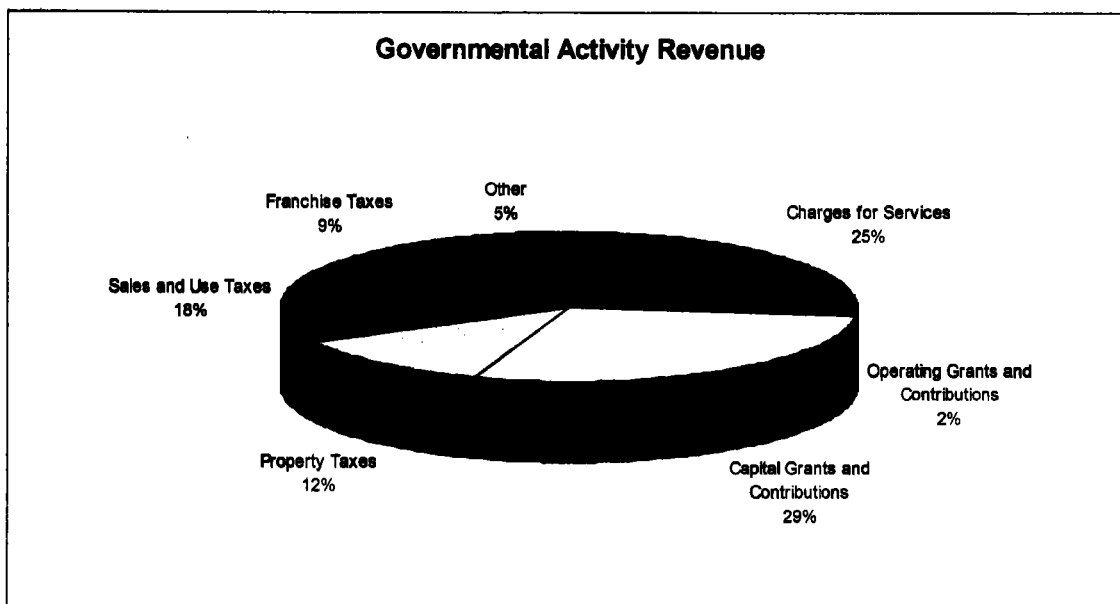
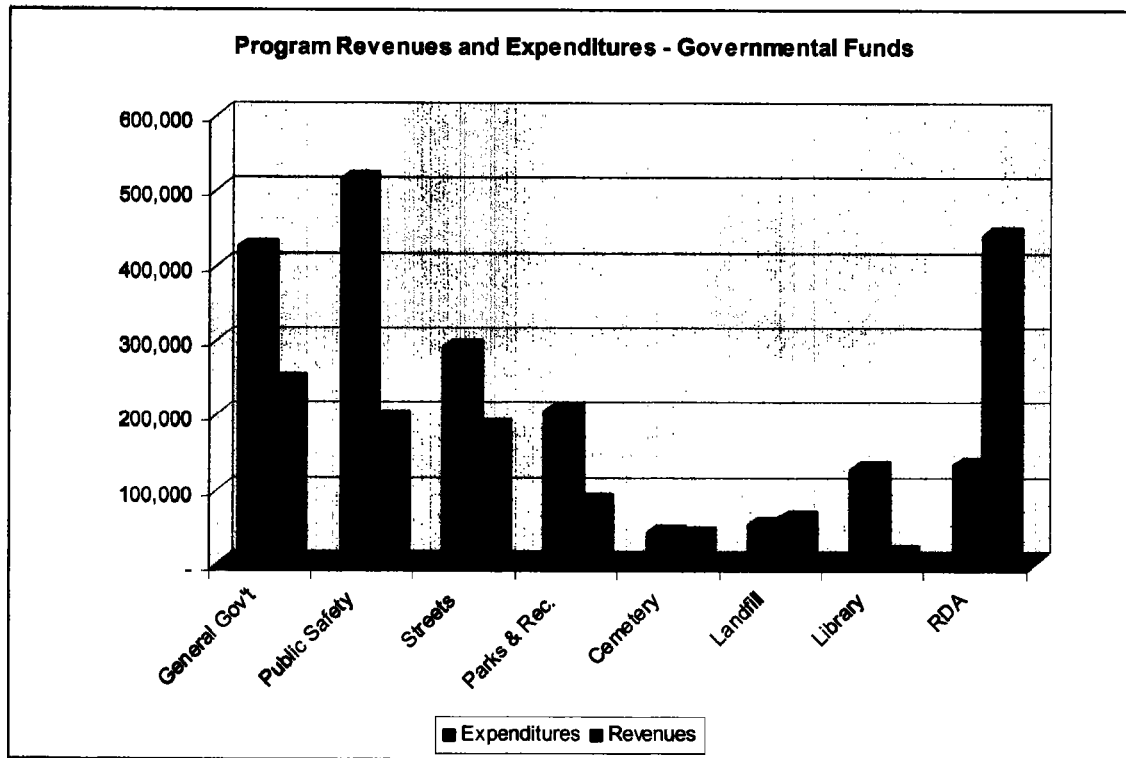
	Governmental Activities		Business-Type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Current Assets	\$ 453,557	\$ 330,521	\$ 763,065	\$ 640,468
Non-Current Assets	<u>5,691,722</u>	<u>4,994,238</u>	<u>10,813,481</u>	<u>10,761,909</u>
Total Assets	<u>6,145,279</u>	<u>5,324,759</u>	<u>11,576,546</u>	<u>11,402,377</u>
Current Liabilities	33,188	35,892	221,455	161,117
Non-Current Liabilities	<u>423,921</u>	<u>438,192</u>	<u>3,852,658</u>	<u>4,169,035</u>
Total Liabilities	<u>457,109</u>	<u>474,084</u>	<u>4,074,113</u>	<u>4,330,152</u>
<u>Net Assets</u>				
Invested in Capital Assets				
Net of Related Debt	4,591,076	4,101,789	6,291,134	6,022,249
Restricted	873,941	659,994	646,204	544,052
Unrestricted	<u>223,153</u>	<u>88,892</u>	<u>565,095</u>	<u>505,924</u>
Total Net Assets	<u>\$5,688,170</u>	<u>\$4,850,675</u>	<u>\$ 7,502,433</u>	<u>\$ 7,072,225</u>

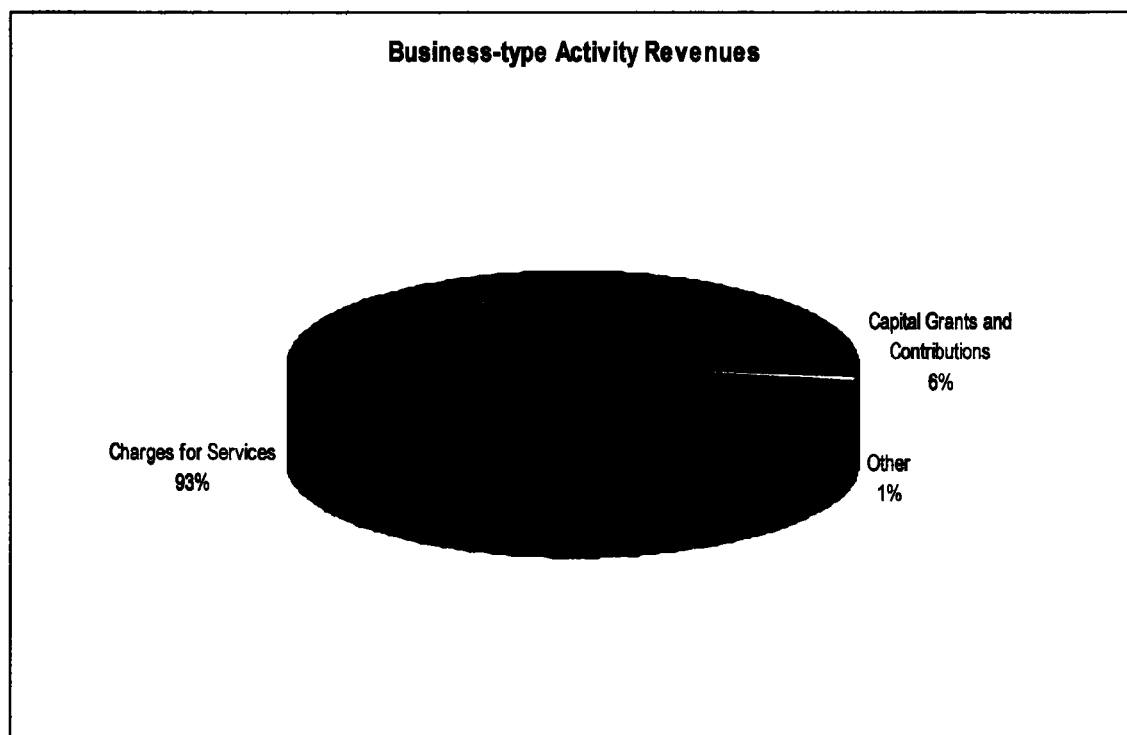
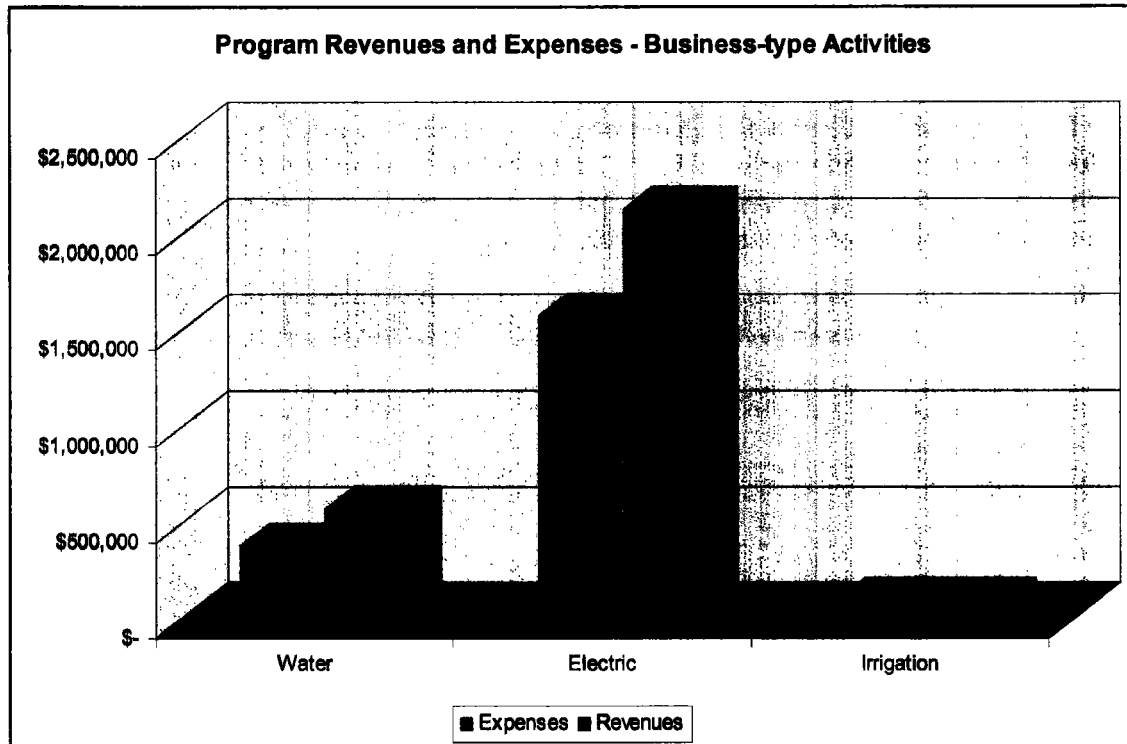
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Revenues				
Program Revenues				
Charges for Services	\$ 584,533	\$ 409,198	\$2,678,293	\$2,375,003
Operating Grants & Cont	36,818	40,978		
Capital Grants & Cont	648,163	178,095	168,248	64,651
General Revenues				
Property Taxes	275,573	210,962		
Vehicle Taxes	74,196	52,222		
Sales & Use Tax	414,893	346,042		
Franchise Taxes	217,008	216,379		
Other	6,848	2,804		
Interest	<u>41,430</u>	<u>29,395</u>	<u>33,340</u>	<u>23,578</u>
Total Revenues	<u>2,299,462</u>	<u>1,486,075</u>	<u>2,879,881</u>	<u>2,463,232</u>
Expenses				
General Government	425,379	380,254		
Public Safety	515,016	382,349		
Streets	291,023	291,859		
Parks & Recreation	206,367	173,135		
Cemetery	43,119	44,155		
Landfill	54,106	44,973		
Library	128,354	131,941		
Redevelopment Agency	134,033	55,365		
Interest on Long Term Debt	18,927	20,090		
Water			395,488	427,714
Electric			1,586,434	1,520,070
Irrigation			<u>113,394</u>	<u>126,877</u>
Total Expenses	<u>1,816,324</u>	<u>1,524,121</u>	<u>2,095,316</u>	<u>2,074,661</u>
Changes in Net Assets				
Before Transfers	483,138	(38,046)	784,565	388,571
Transfers	<u>354,357</u>	<u>97,943</u>	<u>(354,357)</u>	<u>(97,943)</u>
Changes in Net Assets	837,495	59,897	430,208	290,628
Net Assets Beginning	4,850,675	4,772,585	7,072,225	6,842,597
Prior Period Adjustment		<u>18,193</u>		<u>(61,000)</u>
Net Assets Ending	<u>\$5,688,170</u>	<u>\$ 4,850,675</u>	<u>\$7,502,433</u>	<u>\$7,072,225</u>

Major financial activities included installing water, sewer and power in the Industrial Park. We continue to do sewer extensions when funding permits.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and use taxes, etc. are not included.





FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2007, the City's governmental funds, (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$1,044,853. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended with an increase in expenditures of \$106,481 from the original budget expenditure total. Minor changes, including decreases, were made to several accounts to reflect actual revenue or expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mt. Pleasant City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$15,161,299 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.) and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was \$422,834.

MT. PLEASANT CITY'S CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Capital Assets Not Being Depreciated				
Land	\$ 997,263	\$ 997,263	\$ 203,488	\$ 203,488
Capital Assets Being Depreciated				
Buildings & Structure	1,510,069	1,510,068	56,780	56,780
Improvements & Infra-Structure	5,336,698	4,598,951	15,370,900	15,031,471
Machinery & Equipment				
& Vehicles	808,206	775,636	774,788	774,788
Less Accumulated Depreciation	<u>(3,658,214)</u>	<u>(3,361,310)</u>	<u>(6,238,679)</u>	<u>(5,848,670)</u>
Net Capital Asset Difference	<u>\$ 4,994,022</u>	<u>\$ 4,520,608</u>	<u>\$ 10,167,277</u>	<u>\$ 10,217,857</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt-At June 30, 2007, the City had total long-term debt outstanding of \$4,276,579. Of this amount \$125,000 is considered to be a general obligation bond and is backed by the full faith and credit of the City. This general obligation bond was issued to construct the Mt. Pleasant Community/Senior Center in Mt. Pleasant. \$1,446,896 is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Sewer Funds, Pressurized Irrigation Fund and Power Fund. 2,492,705 is notes payable for various projects. The City also has equipment lease debt for an asphalt zipper, police cars, trucks, auto read water meter system, etc., totaling \$210,118. The remainder of the long-term debt comes from compensated absences and unamortized bond issuance costs and discounts.

MT. PLEASANT CITY'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
General Obligation Bonds	\$ 125,000	\$ 134,000	\$	\$
Revenue Bonds	7,896	16,896	1,439,000	1,595,000
Notes Payable	243,799	230,319	2,248,906	2,373,876
Capital Leases	25,096	36,134	185,022	225,717
Compensated Absences	<u>22,130</u>	<u>20,843</u>		
Total	<u>\$ 423,921</u>	<u>\$ 438,192</u>	<u>\$ 3,872,928</u>	<u>\$ 4,194,593</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its taxable value. The City is significantly under this percentage and only has \$125,000 of outstanding general obligation debt which was acquired to fund the Mt. Pleasant City Community/Senior Center.

Additional information on the outstanding debt obligation of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

- The unemployment rate for Sanpete County, (of which Mt. Pleasant City is a part of) was 3.4% compared with a State unemployment rate of 2.6% and a national rate of 4.5%. (Source: Utah Department of Workforce Services)
- The major projects for next year include continuing the expansion of the Industrial Park, the rebuilding of two major bridges, a study to look at storm drainage throughout the City and to prioritize the streets for rebuilding. The general property tax rate will be set at .002149 a decrease of .000078. The Library tax rate is set at .000931.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Mt. Pleasant City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Mt. Pleasant City Recorder

115 West Main

Mt. Pleasant, UT 84647

BASIC FINANCIAL STATEMENTS

MT. PLEASANT CITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 94,154	\$ 306,290	\$ 400,444
Accounts Receivable, Net of Allowance for Uncollectibles	383,214	254,904	638,118
Notes Receivable	7,135	-	7,135
Inventory	-	170,925	170,925
Internal Balances	(30,946)	30,946	-
TOTAL CURRENT ASSETS	453,557	763,065	1,216,622
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	697,700	646,204	1,343,904
Capital Assets			
Non Depreciable	997,263	203,488	1,200,751
Depreciable Assets (net of Depreciation)	3,996,759	9,963,789	13,960,548
TOTAL NONCURRENT ASSETS	5,691,722	10,813,481	16,505,203
TOTAL ASSETS	6,145,279	11,576,546	17,721,825
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	26,053	130,436	156,489
Deferred Revenues	7,135	91,019	98,154
TOTAL CURRENT LIABILITIES	33,188	221,455	254,643
NONCURRENT LIABILITIES			
Due Within One Year	59,795	330,108	389,903
Due in more than One Year	364,126	3,522,550	3,886,676
TOTAL NONCURRENT LIABILITIES	423,921	3,852,658	4,276,579
TOTAL LIABILITIES	457,109	4,074,113	4,531,222
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	4,591,076	6,291,134	10,882,210
Restricted for			
Community Improvements	449,668	198,062	647,730
Endowments	285,766	-	285,766
Redevelopment Agency	58,962	-	58,962
Debt Service	79,545	448,142	527,687
Unrestricted	223,153	565,095	788,248
TOTAL NET ASSETS	\$ 5,688,170	\$ 7,502,433	\$ 13,190,603

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 425,379	\$ 36,812	\$ -	\$ 208,775
Public Safety	515,016	168,678	16,076	11,240
Streets	291,023	-	-	183,873
Parks and Recreation	206,367	77,978	-	7,275
Cemetery	43,119	39,919	-	-
Landfill	54,106	60,994	-	-
Library	128,354	6,242	9,732	-
Redevelopment Agency	134,033	193,910	11,010	237,000
Interest on Long-Term Debt	18,927	-	-	-
	<u>1,816,324</u>	<u>584,533</u>	<u>36,818</u>	<u>648,163</u>
Total Governmental Activities				
Business-type Activities				
Water	395,488	493,473	-	92,101
Electric	1,586,434	2,073,441	-	75,199
Irrigation	113,394	111,379	-	948
	<u>2,095,316</u>	<u>2,678,293</u>	<u>-</u>	<u>168,248</u>
Total Business-type Activities				
TOTAL PRIMARY GOVERNMENT	\$ 3,911,640	\$ 3,262,826	\$ 36,818	\$ 816,411

General Revenues
Property Taxes
Vehicle Taxes
Sales Taxes
Franchise Taxes
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (179,792)	-	\$ (179,792)
(319,022)	-	(319,022)
(107,150)	-	(107,150)
(121,114)	-	(121,114)
(3,200)	-	(3,200)
6,888	-	6,888
(112,380)	-	(112,380)
307,887	-	307,887
(18,927)	-	(18,927)
<u>(546,810)</u>	<u>-</u>	<u>(546,810)</u>
-	190,086	190,086
-	562,206	562,206
-	(1,067)	(1,067)
<u>-</u>	<u>751,225</u>	<u>751,225</u>
<u>\$ (546,810)</u>	<u>\$ 751,225</u>	<u>\$ 204,415</u>
275,573	-	275,573
74,196	-	74,196
414,893	-	414,893
217,008	-	217,008
41,430	33,340	74,770
6,848	-	6,848
354,357	(354,357)	-
<u>1,384,305</u>	<u>(321,017)</u>	<u>1,063,288</u>
837,495	430,208	1,267,703
<u>4,850,675</u>	<u>7,072,225</u>	<u>11,922,900</u>
<u>\$ 5,688,170</u>	<u>\$ 7,502,433</u>	<u>\$ 13,190,603</u>

MT. PLEASANT CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Governmental-type Activities			
	General	Special Revenue RDA	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 63,483	\$ -	\$ 30,671	\$ 94,154
Accounts Receivable, net of Allowance for Uncollectibles	383,214	-	-	383,214
Due from Other Fund	-	-	176,510	176,510
Notes Receivable	-	7,135	-	7,135
Restricted Cash	262,692	59,231	375,777	697,700
 TOTAL ASSETS	 \$ 709,389	 \$ 66,366	 \$ 582,958	 \$ 1,358,713
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 19,043	\$ 269	\$ -	\$ 19,312
Compensated Absences	22,130	-	-	22,130
Deferred Revenue	265,283	7,135	-	272,418
 TOTAL LIABILITIES	 306,456	 7,404	 -	 313,860
FUND BALANCE				
Reserved				
Class C Roads	262,692	-	-	262,692
Community Improvements	-	-	127,634	127,634
Debt Service	-	-	79,545	79,545
Impact Fees	-	-	59,342	59,342
Endowments	-	-	285,766	285,766
Redevelopment Agency	-	58,962	-	58,962
Unreserved	140,241	-	30,671	170,912
 TOTAL FUND EQUITY	 402,933	 58,962	 582,958	 1,044,853
TOTAL LIABILITIES AND FUND EQUITY	\$ 709,389	\$ 66,366	\$ 582,958	\$ 1,358,713

See the accompanying notes to the financial statements

MT. PLEASANT CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 1,044,853

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 4,845,008

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 265,283

Two internal service funds are used by management to charge the cost of internal services and shared services. The activities of the internal service funds are included in the governmental activities of the statement of net assets. 2,148

The interfund loans are reclassified to internal balances (91,270)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. (377,852)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 5,688,170

MT. PLEASANT CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Governmental-type Activities			
	General	Special Revenue RDA	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 900,895	\$ 28,272	\$ -	\$ 929,167
Licenses and Permits	12,042	-	-	12,042
Intergovernmental	195,893	248,010	208,775	652,678
Charges for Services	258,756	193,910	12,288	464,954
Fines and Forfeitures	107,537	-	-	107,537
Interest	22,952	2,046	16,432	41,430
Miscellaneous	6,848	-	-	6,848
TOTAL REVENUES	1,504,923	472,238	237,495	2,214,656
EXPENDITURES				
General Government	397,608	-	-	397,608
Public Safety	498,268	-	-	498,268
Streets	128,605	-	-	128,605
Parks and Recreation	193,364	-	-	193,364
Cemetery	43,119	-	-	43,119
Landfill	54,106	-	-	54,106
Library	126,555	-	-	126,555
Redevelopment Agency	-	105,768	-	105,768
Debt Service				
Principal	1,065	13,448	29,700	44,213
Interest and Finance Charges	1,179	8,021	10,042	19,242
Capital Outlay	-	497,108	231,955	729,063
TOTAL EXPENDITURES	1,443,869	624,345	271,697	2,339,911
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	61,054	(152,107)	(34,202)	(125,255)
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	-	26,000	-	26,000
Transfers from Other Funds	320,304	135,299	135,351	590,954
Impact Fees	-	-	32,303	32,303
Transfers to Other Funds	(188,359)	(19,836)	(28,402)	(236,597)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	192,999	(10,644)	105,050	287,405
BEGINNING FUND BALANCE	209,934	69,606	477,908	757,448
ENDING FUND BALANCE	\$ 402,933	\$ 58,962	\$ 582,958	\$ 1,044,853

See the accompanying notes to the financial statements

MT. PLEASANT CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES
AND USES - TOTAL GOVERNMENTAL FUNDS \$ 287,405

*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal
year end. They are not considered to be available revenues in the governmental
funds. Deferred property tax revenues increased by this amount this year. 52,503

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. 468,337

Issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. 16,497

Net income or loss from the internal service funds is allocated between
governmental and business-type activities according to amounts charged.
This is the amount allocated to governmental activities. 5,701

Some revenues and expenses reported in the statement of activities do not add
to or required the use of current financial resources and, therefore, are not
reported as revenues or expenditures in the governmental funds. 7,052

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 837,495

See the accompanying notes to the financial statements

MT. PLEASANT CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	\$ 823,497	\$ 903,497	\$ 900,895	\$ (2,602)
Licenses and Permits	11,900	11,900	12,042	142
Intergovernmental	271,566	286,932	195,893	(91,039)
Charges for Services	190,072	232,222	258,756	26,534
Fines and Forfeitures	102,300	103,000	107,537	4,537
Interest	7,600	12,000	22,952	10,952
Miscellaneous	4,350	8,940	6,848	(2,092)
 TOTAL REVENUES	 1,411,285	 1,558,491	 1,504,923	 (53,568)
 EXPENDITURES				
General Government	380,083	426,371	397,608	28,763
Public Safety	512,632	535,609	498,268	37,341
Streets	297,523	310,172	128,605	181,567
Parks and Recreation	193,303	207,064	193,364	13,700
Cemetery	64,650	59,650	43,119	16,531
Landfill	45,000	55,000	54,106	894
Library	131,151	136,957	126,555	10,402
Debt Service	2,244	2,244	2,244	-
 TOTAL EXPENDITURES	 1,626,586	 1,733,067	 1,443,869	 289,198
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(215,301)	(174,576)	61,054	235,630
 OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	320,270	320,270	320,304	34
Transfers to Other Funds	(104,969)	(145,694)	(188,359)	(42,665)
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES				
	-	-	192,999	192,999
 FUND BALANCE ALLOCATION				
	-	-	-	-
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	\$ -	\$ -	\$ 192,999	\$ 192,999

See the accompanying notes to the financial statements

MT. PLEASANT CITY

BUDGETARY COMPARISON SCHEDULE

MAJOR SPECIAL REVENUE FUND - REDEVELOPMENT AGENCY

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>with Final</u> <u>Budget</u>
<u>REVENUES</u>				
Taxes	\$ 28,272	\$ 28,272	\$ 28,272	\$ -
Intergovernmental	406,300	237,000	248,010	11,010
Charges for Services	204,843	303,600	219,430	(84,170)
Interest	<u>2,976</u>	<u>2,976</u>	<u>2,046</u>	<u>(930)</u>
 TOTAL REVENUES	 <u>642,391</u>	 <u>571,848</u>	 <u>497,758</u>	 <u>(74,090)</u>
 <u>EXPENDITURES</u>				
Redevelopment Agency	174,800	176,934	105,288	71,646
Debt Service	11,458	21,949	21,469	480
Capital Outlay	<u>436,300</u>	<u>657,731</u>	<u>497,108</u>	<u>160,623</u>
 TOTAL EXPENDITURES	 <u>622,558</u>	 <u>856,614</u>	 <u>623,865</u>	 <u>232,749</u>
 EXCESS (DEFICIT) OF				
REVENUES OVER				
EXPENDITURES	19,833	(284,766)	(126,107)	158,659
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	-	135,299	135,299	-
Transfers to Other Funds	<u>(19,833)</u>	<u>(19,833)</u>	<u>(19,836)</u>	<u>(3)</u>
 EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER EXPENDITURES AND USES	-	(169,300)	(10,644)	158,656
 FUND BALANCE ALLOCATION	 <u>-</u>	 <u>169,300</u>	 <u>-</u>	 <u>(169,300)</u>
 EXCESS OF RESOURCES OVER				
CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ (10,644)	\$ (10,644)

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 41,778	\$ 161,510	\$ 103,002	\$ 306,290	\$ -
Accounts Receivable, Net of Allowance for Uncollectibles	55,596	190,135	9,173	254,904	-
Due from Other Fund	-	83,354	-	83,354	-
Inventory	-	170,925	-	170,925	-
TOTAL CURRENT ASSETS	97,374	605,924	112,175	815,473	-
NONCURRENT ASSETS					
Restricted Assets					
Cash and Cash Equivalents	172,320	437,213	36,671	646,204	-
Capital Assets					
Land	113,150	87,338	3,000	203,488	-
Buildings	6,890	49,890	-	56,780	166,380
Improvements	6,684,083	7,542,155	1,144,662	15,370,900	-
Machinery and Equipment	364,017	410,771	-	774,788	254,410
Less Accumulated Depreciation	(2,871,361)	(2,794,232)	(573,086)	(6,238,679)	(271,776)
TOTAL NONCURRENT ASSETS	4,469,099	5,733,135	611,247	10,813,481	149,014
TOTAL ASSETS	4,566,473	6,339,059	723,422	11,628,954	149,014
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	9,813	11,338	71	21,222	5,586
Customer Deposits	-	85,729	-	85,729	-
Accrued Interest Payable	1,250	16,900	5,335	23,485	-
Due to Other Fund	28,413	28,413	28,413	85,239	83,354
Deferred Revenue	-	91,019	-	91,019	-
Current Portion of Long-Term Debt	107,057	174,733	48,318	330,108	6,503
TOTAL CURRENT LIABILITIES	146,533	408,132	82,137	636,802	95,443
NONCURRENT LIABILITIES					
Leases Payable	90,900	51,737	-	142,637	18,592
Notes Payable	-	1,845,379	271,804	2,117,183	-
Bonds Payable	785,000	477,730	-	1,262,730	-
TOTAL NONCURRENT LIABILITIES	875,900	2,374,846	271,804	3,522,550	18,592
TOTAL LIABILITIES	1,022,433	2,782,978	353,941	4,159,352	114,035
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	3,312,572	2,729,443	249,119	6,291,134	123,919
Restricted					
Community Improvements	93,592	102,475	1,995	198,062	-
Debt Service	78,728	334,738	34,676	448,142	-
Unrestricted	59,148	389,425	83,691	532,264	(88,940)
TOTAL NET ASSETS	\$ 3,544,040	\$ 3,556,081	\$ 369,481	\$ 7,469,602	\$ 34,979

See the accompanying notes to the financial statements

MT. PLEASANT CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 475,929	\$ 1,937,533	\$ 87,900	\$ 2,501,362	\$ 381,389
Connection Fees	17,337	112,787	22,669	152,793	-
Miscellaneous	207	23,121	810	24,138	-
TOTAL OPERATING REVENUES	493,473	2,073,441	111,379	2,678,293	381,389
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	67,611	210,591	38,342	316,544	37,062
Operations	164,268	1,047,803	32,082	1,244,153	278,235
Depreciation	165,279	199,293	25,437	390,009	27,494
TOTAL OPERATING EXPENSES	397,158	1,457,687	95,861	1,950,706	342,791
OPERATING INCOME	96,315	615,754	15,518	727,587	38,598
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Impact Fees	92,101	75,199	948	168,248	-
Interest Income	3,018	24,767	5,555	33,340	-
Interest Expense	(8,173)	(149,046)	(18,720)	(175,939)	(1,566)
TOTAL NON-OPERATING REVENUES (EXPENSES)	86,946	(49,080)	(12,217)	25,649	(1,566)
INCOME BEFORE TRANSFERS	183,261	566,674	3,301	753,236	37,032
Transfers from Other Funds	-	-	67,776	67,776	-
Transfers to Other Funds	(197,086)	(194,963)	(30,084)	(422,133)	-
CHANGE IN NET ASSETS	(13,825)	371,711	40,993	398,879	37,032
TOTAL NET ASSETS AT BEGINNING OF YEAR	3,557,865	3,184,370	328,488	7,070,723	(2,053)
TOTAL NET ASSETS AT END OF YEAR	\$ 3,544,040	\$ 3,556,081	\$ 369,481	7,469,602	\$ 34,979

Some amounts reported for business-type activities in the statements of net assets are different because the net revenue (expense) of the internal service funds are reported with business-type activities.

32,831

Change in Net Assets of Business-type Activities

\$ 7,502,433

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 497,167	\$ 2,192,238	\$ 112,159	\$ 2,801,564	\$ 381,389
Payments to Suppliers	(156,114)	(1,128,390)	(32,122)	(1,316,626)	(273,999)
Payments to Employees	(67,611)	(210,591)	(38,342)	(316,544)	(37,062)
NET CASH FLOWS FROM OPERATING ACTIVITIES	273,442	853,257	41,695	1,168,394	70,328
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Due from Other Fund	-	51,143	-	51,143	-
Due to Other Fund	(15,079)	(1,066)	(1,066)	(17,211)	(37,130)
Transfers from Other Funds	-	-	67,776	67,776	-
Transfers to Other Funds	(197,086)	(194,963)	(30,084)	(422,133)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(212,165)	(144,886)	36,626	(320,425)	(37,130)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from Long-Term Debt	-	-	-	-	23,580
Impact Fees	92,101	75,199	948	168,248	-
Acquisition of Capital Assets	(42,326)	(297,103)	-	(339,429)	(32,570)
Lease Payments	(17,339)	(23,356)	-	(40,695)	(22,642)
Note Payments	-	(78,952)	(46,018)	(124,970)	-
Bond Payments	(90,000)	(60,712)	-	(150,712)	-
Interest Expense	(8,374)	(151,166)	(19,487)	(179,027)	(1,566)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(65,938)	(536,090)	(64,557)	(666,585)	(33,198)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Income	3,018	24,767	5,555	33,340	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	3,018	24,767	5,555	33,340	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,643)	197,048	19,319	214,724	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	215,741	401,675	120,354	737,770	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 214,098	\$ 598,723	\$ 139,673	\$ 952,494	\$ -

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Operating Income	\$ 96,315	\$ 615,754	\$ 15,518	\$ 727,587	\$ 38,598
Adjustments					
Depreciation	165,279	199,293	25,437	390,009	27,494
Changes in Assets and Liabilities					
Accounts Receivable, Net	3,694	1,199	780	5,673	-
Inventory	-	(18,301)	-	(18,301)	-
Accounts Payable	8,154	(62,286)	(40)	(54,172)	4,236
Customer Deposits	-	26,579	-	26,579	-
Deferred Revenue	-	91,019	-	91,019	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 273,442	\$ 853,257	\$ 41,695	\$ 1,168,394	\$ 70,328

See the accompanying notes to the financial statements

MT. PLEASANT CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Mt. Pleasant City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Mt. Pleasant City is incorporated under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, Justice Court, Treasurer, Recorder
Legal, Grounds, Airport, Planning and Zoning

Public Safety: Police, Fire, Ambulance and Animal Control

Public Works: Streets, Water, Sewer, Electric and Irrigation

Parks and Recreation: Celebrations, Parks, Recreation Center and Recreation

Other: Cemetery, Landfill, Library, and Redevelopment Agency

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *special revenue fund* for the redevelopment agency (RDA) accounts for the activities of the City of the city's redevelopment district including the industrial park.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the City's water production, treatment and distribution operations and the sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

NOTE 1 - (CONTINUED)

Activities of these three funds include administration, operations and maintenance of the systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City additionally reports the following fund type:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains a *redevelopment agency fund*, which is a special revenue fund used to account for property tax revenues that will be used for redevelopment projects within the City.

A five member board of trustees composed of the City council governs the Redevelopment Agency of Mt. Pleasant City (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. Separate financial statements are not issued for the RDA.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

NOTE 1 - (CONTINUED)

B. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Proprietary fund inventories are recorded at the lower of cost or market on a weighted-average basis, which approximates the first-in, first-out method.

D. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

E. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	20-50 years
Machinery, Equipment and Vehicles	5-20 years

F. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. No more than 12 days of vacation may be carried forward. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. No accumulated, unused sick leave will be paid at termination.

NOTE 1 - (CONTINUED)

G. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

I. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

NOTE 1 - (CONTINUED)

Deferred Revenue

Property taxes due November 30, 2007 and unpaid from 2006 and the balance of notes receivable in the redevelopment agency fund are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 997,263
Buildings and Structures	1,343,689
Improvements and Infrastructure	5,336,698
Machinery, Equipment and Vehicles	553,796
Less Accumulated Depreciation	<u>(3,386,438)</u>
Net Capital Asset Difference	<u>\$ 4,845,008</u>

Other Long-Term Asset Differences

Property taxes due in November 2007 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2007	<u>\$ 265,283</u>
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NOTE 2 - (CONTINUED)

Internal Service Funds are used by management to charge the costs of internal and shared services to individual funds. The assets and liabilities of these Internal Service Funds are included in the governmental activities on the statement of net assets. However, for the 2007 fiscal year, all charges were made only to enterprise funds, so the current year loss in the internal service funds has been allocated to those enterprise funds.

Buildings	\$ 166,380
Machinery and Equipment	254,410
Accumulated Depreciation	(271,776)
Accounts Payable	(5,586)
Due to Other Fund	(84,856)
Leases Payable	(25,095)
Cumulative Loss Allocated to the Water and Electric Funds	<u>(31,329)</u>
Net Difference	<u>\$ 2,148</u>

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (1,155)
Notes Payable	(243,800)
Bonds Payable	<u>(132,897)</u>
Total Long-Term Liability Difference	<u>\$ (377,852)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 737,747
Depreciation Expense	<u>(269,410)</u>
Net Difference	<u>\$ 468,337</u>

NOTE 2 - (CONTINUED)

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Issuance of New Lease	\$ (26,000)
Principal Repayments	
Capital Leases	11,977
Notes Payable	12,520
Bonds Payable	18,000
Net Difference	<u>\$ 16,497</u>

Other Revenue and Expense Differences

The change in accrued interest payable is not reported in the statement of revenues, expenditures and changes in fund balance. The details of this difference is reported below:

Change in Accrued Interest Payable	\$ 315
Change in Interfund Loan	6,737
Net Difference	<u>\$ 7,052</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

NOTE 3 - (CONTINUED)

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone and natural gas utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$199,271 of the City's bank balances of \$299,271 were uninsured and uncollateralized.

NOTE 4 - (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of June 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 1,617,169	\$ 1,617,169	\$ -	\$ -	\$ -
U.S. Treasuries	<u>38,958</u>	-	-	-	<u>38,958</u>
Total Investments	<u>\$ 1,656,127</u>	<u>\$ 1,617,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,958</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 87,515
Investments	1,656,127
Cash on Hand	<u>706</u>
Total	<u>\$ 1,744,348</u>
Cash and Cash Equivalents	\$ 400,444
Restricted Cash and Cash Equivalents	<u>1,343,904</u>
Total	<u>\$ 1,744,348</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2007 are presented in the schedule below.

Property taxes are levied on January 1 of 2007, are due in November of 2007, and are budgeted for the 2007 fiscal year. Even though they are not intended to fund the 2007 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2007:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	\$ 26,369	\$ 258,303	\$ 284,672
Allowance for Uncollectibles	-	(3,399)	(3,399)
Property Taxes Receivable	288,124	-	288,124
Sales Taxes Receivable	29,993	-	29,993
Class C Roads Receivable	33,071	-	33,071
Franchise Taxes	<u>5,657</u>	<u>-</u>	<u>5,657</u>
Total	<u>\$ 383,214</u>	<u>\$ 254,904</u>	<u>\$ 638,118</u>

NOTE 6 - NOTES RECEIVABLE

The Redevelopment Agency issues business and property loans to encourage development within the City. The cemetery perpetual care fund has loaned various amounts to the other departments of the City. The outstanding balances of these loans at June 30, 2007 are as follows:

Redevelopment Agency	
Business Loans	\$ 4,614
Property Loans	<u>2,521</u>
	<u>\$ 7,135</u>

NOTE 7 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities, including the internal service funds, for the year ended June 30, 2007.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 997,263	\$ -	\$ -	\$ 997,263
Capital Assets being Depreciated				
Buildings and Structures	1,510,068	1	-	1,510,069
Improvements and Infrastructure	4,598,951	737,747	-	5,336,698
Machinery and Equipment	<u>775,636</u>	<u>32,570</u>	<u>-</u>	<u>808,206</u>
Total	7,881,918	770,318	-	8,652,236
Less Accumulated Depreciation	<u>(3,361,310)</u>	<u>(296,904)</u>	<u>-</u>	<u>(3,658,214)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,520,608</u>	<u>\$ 473,414</u>	<u>\$ -</u>	<u>\$ 4,994,022</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2007.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 203,488	\$ -	\$ -	\$ 203,488
Capital Assets being Depreciated				
Buildings and Structures	56,780	-	-	56,780
Improvements and Infrastructure	15,031,471	339,429	-	15,370,900
Machinery and Equipment	<u>774,788</u>	<u>-</u>	<u>-</u>	<u>774,788</u>
Total	16,066,527	339,429	-	16,405,956
Less Accumulated Depreciation	<u>(5,848,670)</u>	<u>(390,009)</u>	<u>-</u>	<u>(6,238,679)</u>
Business-type Activities Capital Assets, Net	<u>\$10,217,857</u>	<u>\$ (50,580)</u>	<u>\$ -</u>	<u>\$10,167,277</u>

NOTE 7 - (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 39,519
Public Safety	16,748
Streets	171,101
Parks and Recreation	13,002
Library	2,491
Redevelopment Agency	26,549
Internal Service Funds	<u>27,494</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 296,904</u>
Business-type Activities	
Water and Sewer	\$ 165,279
Electric	199,293
Pressurized Irrigation	<u>25,437</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 390,009</u>

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental Activities	Business-type Activities
Accounts Payable	\$ 24,898	\$ 21,222
Accrued Interest Payable	1,155	23,485
Customer Deposits	<u>-</u>	<u>85,729</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 26,053</u>	<u>\$ 130,436</u>

NOTE 9 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

NOTE 9 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$ 7,693	\$ 49,558
2009	7,693	49,558
2010	5,696	49,558
2011	5,297	22,344
2012	1,324	22,344
2013	-	11,172
Total Minimum Lease Payments	27,703	204,534
Interest Portion	(2,608)	(19,513)
Present Value of Net Minimum Lease Payments	\$ 25,095	\$ 185,021

NOTE 10 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Capital Leases					
Asphalt Zipper	\$ 11,977	\$ -	\$ (11,977)	\$ -	\$ -
Ford Crown Victoria - Zions	6,604	-	(1,892)	4,712	2,064
Ford Crown Victoria - Zions	11,553	-	(11,553)	-	-
Backhoe - Century Equipment	6,000	-	(6,000)	-	-
Dodge Durango - Zions	-	23,580	(3,196)	20,384	4,440
Notes Payable					
Olene Walker Trust Fund	142,852	-	(10,083)	132,769	10,184
RDA Loan - Wells Fargo	87,467	-	(2,348)	85,119	2,524
RDA Loan - Business Lending	-	26,000	(89)	25,911	557
General Obligation Bonds					
1998 Series	134,000	-	(9,000)	125,000	10,000
Revenue Bonds					
1999 Street Improvement	16,896	-	(9,000)	7,896	7,896
Compensated Absences	<u>20,843</u>	<u>1,287</u>	<u>-</u>	<u>22,130</u>	<u>22,130</u>
	<u>\$ 438,192</u>	<u>\$ 50,867</u>	<u>\$ (65,138)</u>	<u>\$ 423,921</u>	<u>\$ 59,795</u>

NOTE 10 - (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Capital Leases					
Auto-Read Water Meter System	\$ 126,296	\$ -	\$ (17,339)	\$ 108,957	\$ 18,057
Altec Digger Derrick	99,421	-	(23,356)	76,065	24,328
Notes Payable					
Department of Agriculture Electric Loan	2,007,736	-	(78,952)	1,928,784	83,405
Division of Finance Irrigation Loan	333,305	-	(41,983)	291,322	44,082
Division of Finance Irrigation Loan	32,835	-	(4,035)	28,800	4,236
Revenue Bonds					
1991 Water	438,000	-	(37,000)	401,000	36,000
1993A Water	10,000	-	(4,000)	6,000	3,000
1993B Water	16,000	-	(5,000)	11,000	6,000
1991 and 1993 Water	500,000	-	(44,000)	456,000	44,000
1998 Electric Refunding	295,000	-	(45,000)	250,000	45,000
2001 Electric	<u>336,000</u>	<u>-</u>	<u>(21,000)</u>	<u>315,000</u>	<u>22,000</u>
	<u>\$ 4,194,593</u>	<u>\$ -</u>	<u>\$ (321,665)</u>	3,872,928	<u>\$ 330,108</u>
Unamortized Bond Issuance Costs and Discounts				<u>(20,270)</u>	
				<u>\$ 3,852,658</u>	

NOTE 10 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2007 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Capital Leases Payable				
Ford Crown Victoria - Zions (original amount--\$8,060)	4.10%	2010	\$ 2,064	\$ 2,648
Dodge Durango - Zions (original amount--\$23,580)	4.10%	2012	4,440	15,944
Notes Payable				
2004 Olene Walker Trust Loan (original amount--\$169,352)	1.00%	2020	10,184	122,585
RDA Loan - Wells Fargo (original amount--\$90,000)	7.26%	2010	2,524	82,595
RDA Loan - Business Lending (original amount--\$26,000)	8.00%	2027	557	25,354
Bonds Payable				
General Obligation Bonds, Series 1998 (original amount--\$200,000)	3.00%	2018	10,000	115,000
Street Improvement Revenue Bonds, Series 1999 (original amount--\$100,000)	3.00%	2008	7,896	-
Compensated Absences			<u>22,130</u>	<u>-</u>
Total Governmental Activities Long-term Debt			<u>\$ 59,795</u>	<u>\$ 364,126</u>

NOTE 10 - (CONTINUED)

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Capital Leases Payable				
Auto-Read Water Meter System (original amount--\$181,800)	4.10%	2013	\$ 18,057	\$ 90,900
Altec Digger Derrick (original amount--\$121,844)	4.12%	2010	24,328	51,737
Notes Payable				
Department of Agriculture Electric Loan (original amount--\$2,740,000)	5.50%	2023	83,405	1,845,379
Department of Finance Irrigation Loan (original amount--\$888,000)	5.00%	2013	44,082	247,240
Department of Finance Irrigation Loan (original amount--\$80,000)	5.00%	2013	4,236	24,564
Bonds Payable				
Water Revenue Bonds, Series 1991 (original amount--\$917,000)	0.00%	2018	36,000	365,000
Water Revenue Bonds, Series 1993A (original amount--\$48,510)	0.00%	2009	3,000	3,000
Water Revenue Bonds, Series 1993B (original amount--\$76,490)	0.00%	2009	6,000	5,000
Water Revenue Bonds, Series 1991 and 1993 (original amounts--\$863,000 and \$125,000)	0.00%	2013	44,000	412,000
Electric Refunding Bonds, Series 1998 (original amount--\$582,000)	4.20% to 4.70%	2011	45,000	205,000
Electric Revenue Bonds, Series 2001 (original amount--\$403,000)	3.90% to 5.40%	2017	22,000	293,000
Unamortized defeasance cost of refunded bonds			-	(20,270)
Total Business-type Activities Long-term Debt			<u>\$ 330,108</u>	<u>\$ 3,522,550</u>

NOTE 10 - (CONTINUED)

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 37,665	\$ 14,600	\$ 330,109	\$ 154,630	\$ 367,774	\$ 169,230
2009	30,507	13,324	377,990	142,975	408,497	156,299
2010	106,192	12,341	384,330	130,583	490,522	142,924
2011	27,307	5,908	428,660	117,633	455,967	123,541
2012	23,680	5,232	328,848	102,171	352,528	107,403
2013-2017	119,514	18,296	1,139,179	359,511	1,258,693	377,807
2018-2022	46,492	6,442	844,068	129,013	890,560	135,455
2023-2027	10,434	2,182	39,744	336	50,178	2,518
	<u>\$ 401,791</u>	<u>\$ 78,325</u>	<u>\$ 3,872,928</u>	<u>\$ 1,136,852</u>	<u>\$ 4,274,719</u>	<u>\$ 1,215,177</u>

NOTE 11 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and electric funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. These amounts are classified as reserved for community improvements. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. The fund balance in the redevelopment agency fund has been reserved for redevelopment loans.

NOTE 12 - RETIREMENT PLANS

Plan Description

Mt. Pleasant City contributes to the Local Governmental Contributory and Noncontributory Retirement Systems, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

NOTE 12 - (CONTINUED)

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Local Government Contributory, and 12.29% to the Public Safety Contributory Retirement Systems, respectively. Mt. Pleasant City is required to contribute a percent of covered salary to the respective systems, 7.58% to the Local Government Contributory, 11.59% to the Local Government Noncontributory, 11.01% to the Public Safety Contributory, and 22.38% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Mt. Pleasant City's contributions to the various systems for the years ending June 30, 2007, 2006 and 2005 respectively were; for the Contributory System, \$13,846, \$11,719 and \$18,488; for the Noncontributory System, \$40,989, \$39,889, and \$35,802; for the Public Safety Noncontributory, \$10,044, \$8,253, and \$7,710; for the Public Safety Noncontributory, \$35,669, \$28,185, and \$26,858, respectively. The contributions were equal to the required contributions for each year.

NOTE 13 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan under the Internal Revenue Code Section 401(k) for the City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 3.35% depending on the employees' contributions. The rate of City participation can be changed by the City council. During the years ended June 30, 2007, 2006, and 2005, contributions totaling \$9,089, \$5,387, and \$6,317, respectively were made to the plan by employees and \$8,463, \$32,020 and \$26,795, respectively by the City.

NOTE 14 - RISK MANAGEMENT

The City is a member of a combined risk management pool consisting of twenty-three (23) member Cities in the State of Utah. Utah Risk Management Mutual Association (URMMA) is a not-for-profit entity created to pool the resources of local governments together to provide low-cost liability and risk insurance. URMMA provides its members with training and legal and technical support in operating the City's risks. An executive board is elected from the members to meet regularly to discuss risk issues and to make recommendations to the rest of the members at the annual meeting. The City is involved with all aspects of controlling and reducing risk with the help of the association. The association provides annual and semi-annual audits on the City's policies and practices as they relate to risk in the workplace and other liability risks that arise.

The City also carries comprehensive general liability insurance coverage through Fred A. Moreton Company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years

NOTE 15 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 258,456	\$ 188,359
Debt Service	48,468	-
Capital Projects	86,883	-
Impact Fees	-	17,050
Redevelopment Agency	135,299	19,836
Permanent Fund	-	11,352
Library	61,848	-
Water	-	197,086
Electric	-	194,963
Pressurized Irrigation	67,776	30,084
	<u>\$ 658,730</u>	<u>\$ 658,730</u>

NOTE 16 - MT. PLEASANT REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1.	The tax increment collected by the agency	\$ 28,272
2.	The amount of tax increment paid to Mt. Pleasant City	\$ 19,836
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ 243,799
4.	The actual amount expended for:	
	A. Acquisition of property	\$ -
	B. Site Improvements	102,993
	C. Installation of public utilities and roads	497,108
	D. Administration costs	<u>2,775</u>
	TOTAL EXPENDED	<u>\$ 602,876</u>

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

The City plans to issue \$1,000,000 in sales tax revenue bonds before the end of 2007 to plan for and implement a storm drain system. They have also been approved to receive a grant from the Community Impact Board of \$600,000 to help improve the City's bridges.

SUPPLEMENTARY INFORMATION

MT. PLEASANT CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>Special Revenue</u>				Total Nonmajor Govern- mental Funds
	<u>Impact Fees</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 30,671	\$ -	\$ -	\$ -	\$ 30,671
Due from Other Fund	-	-	-	176,510	176,510
Notes Receivable	-	-	-	-	-
Restricted Cash	<u>59,342</u>	<u>127,634</u>	<u>79,545</u>	<u>109,256</u>	<u>375,777</u>
TOTAL ASSETS	<u>\$ 90,013</u>	<u>\$ 127,634</u>	<u>\$ 79,545</u>	<u>\$ 285,766</u>	<u>\$ 582,958</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE</u>					
Reserved					
Community Improvements	-	127,634	-	-	127,634
Debt Service	-	-	79,545	-	79,545
Impact Fees	59,342	-	-	-	59,342
Endowments	-	-	-	285,766	285,766
Unreserved	<u>30,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,671</u>
TOTAL FUND EQUITY	<u>90,013</u>	<u>127,634</u>	<u>79,545</u>	<u>285,766</u>	<u>582,958</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 90,013</u>	<u>\$ 127,634</u>	<u>\$ 79,545</u>	<u>\$ 285,766</u>	<u>\$ 582,958</u>

MT. PLEASANT CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	<u>Special Revenue</u>				<u>Total Nonmajor Govern- mental Funds</u>
	<u>Impact Fees</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	
<u>REVENUES</u>					
Intergovernmental	\$ -	\$ 208,775	\$ -	\$ -	\$ 208,775
Charges for Services	-	-	-	12,288	12,288
Interest	<u>4,509</u>	<u>1,665</u>	<u>-</u>	<u>10,258</u>	<u>16,432</u>
TOTAL REVENUES	<u>4,509</u>	<u>210,440</u>	<u>-</u>	<u>22,546</u>	<u>237,495</u>
<u>EXPENDITURES</u>					
Debt Service					
Principal	-	-	29,700	-	29,700
Interest and					
Finance Charges	-	-	10,042	-	10,042
Capital Outlay	<u>-</u>	<u>231,955</u>	<u>-</u>	<u>-</u>	<u>231,955</u>
TOTAL EXPENDITURES	<u>-</u>	<u>231,955</u>	<u>39,742</u>	<u>-</u>	<u>271,697</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	4,509	(21,515)	(39,742)	22,546	(34,202)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from Other Funds	-	86,883	48,468	-	135,351
Impact Fees	32,303	-	-	-	32,303
Transfers to Other Funds	<u>(17,050)</u>	<u>-</u>	<u>-</u>	<u>(11,352)</u>	<u>(28,402)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	19,762	65,368	8,726	11,194	105,050
BEGINNING FUND BALANCE	<u>70,251</u>	<u>62,266</u>	<u>70,819</u>	<u>274,572</u>	<u>477,908</u>
ENDING FUND BALANCE	<u>\$ 90,013</u>	<u>\$ 127,634</u>	<u>\$ 79,545</u>	<u>\$ 285,766</u>	<u>\$ 582,958</u>

MT. PLEASANT CITY
SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2007

Mt. Pleasant City collects streets, parks and recreation, water, sewer, electric and irrigation impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Streets	Parks and Recreation	Water	Sewer	Electric	Irrigation
2004	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ -
2005	5,764	695	9,200	-	1,250	257
2006	11,426	4,270	18,227	-	23,041	734
2007	28,500	8,612	39,711	26,454	78,184	1,004
Total	\$ 45,765	\$ 13,577	\$ 67,138	\$ 26,454	\$ 102,475	\$ 1,995

The following capital projects are planned to use the impact fees shown above:

Capital Project Planned	Projected Cost	Estimated Time Frame	Type of Impact Fee
Build new restroom at city park	\$ 80,000	2007-2008	Parks
Develop water rights	\$ 100,000	2007-2008	Water
Add another water tank for storage of culinary water	\$ 500,000	2012	Water
Upgrade power system to allow for growth	\$ 100,000	2010	Electric
Add a larger main line for growth in the city	\$ 50,000	2007-2008	Irrigation
Extend lines as needed	\$ 100,000	Ongoing	Sewer

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

September 24, 2007

**Honorable Mayor
Members of the City Council
Mt. Pleasant City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant City, Utah, for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 24, 2007. As part of my audit, I have audited Mt. Pleasant City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Airport Taxiway (Department of Transportation)**

The City also received the following nonmajor grant which was not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Mt. Pleasant's financial statements.)

**Fire Department Grant
Andrew Jackson Planning Grant**

**State History Grant
Library Grants**

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Mt. Pleasant City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Mt. Pleasant, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

 CPA
Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 24, 2007

Honorable Mayor
Members of the City Council,
Mt. Pleasant, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant City, Utah, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued my report thereon dated September 24, 2007. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider internal control deficiencies #1 through #5 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. Pleasant City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden,
Certified Public Accountant

**MT. PLEASANT, UTAH
MANAGEMENT LETTER
JUNE 30, 2007**

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

September 14, 2007

**Honorable Mayor
Members of the City Council
Mt. Pleasant City, Utah**

Council Members:

While planning and performing my audit of the basic financial statements of Mt. Pleasant City, Utah (City) for the year ended June 30, 2007, I noted matters regarding compliance with requirements of the *Utah Code* and the City's internal control over financial reporting which need to be addressed by the City's management.

My findings from the audit are attached. I feel that Internal control findings #1 through #5 are significant deficiencies. If these weaknesses and deficiencies are left uncorrected, an unacceptable amount of errors could occur without detection.

This report is intended solely for the use of the management of Mt. Pleasant City. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the City during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss any of these matters with you at your convenience and, if desired, to assist you in implementing any of these suggestions.


**Greg Ogden,
Certified Public Accountant**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE REQUIREMENT FINDINGS

1. FINDING - DEFICIT RETAINED EARNINGS BALANCE IN THE INTERNAL SERVICE FUND

One internal service fund has a deficit balance in retained earnings.

RECOMMENDATION

The City should charge sufficient amounts to the other departments of the City to recoup all of the costs incurred in the internal service funds. Charges for 2007 may need to be increased to offset the deficit.

RESPONSE - MT. PLEASANT CITY

I think this deficit balance is due to the fact that we did not post the Cemetery loans correctly to the Perpetual Care Fund. We will make sure that we get it posted by year end next budget year.

2. FINDING - CAPITAL FACILITIES PLANS

Utah Code Section 11-36-201 requires that a capital facilities plan be prepared for each impact fee before imposing it. *Utah Code Section 11-36-202* allows impact fees to be spent only if they are identified in the capital facilities plan. The City spent impact fees on various improvements during the 2007 fiscal year. However, the City was unable to locate their capital facilities plans to allow me to verify that the expenditures were included in their plan.

RECOMMENDATION

I recommend that every effort be made to locate the capital facilities plans for the various impact fees currently imposed. If they cannot be located, new plans should be drafted and a new public hearing should be held to adopt the plans by ordinance.

RESPONSE - MT. PLEASANT CITY

The City believed that the Capital Facilities Plan was included with the Six County Association of Government Capital Project Plan. The A.O.G. will add a column to the Capital Projects plan that specifically shows Impact Fees.

INTERNAL CONTROL DEFICIENCIES

1. FINDING - POSTING DEBT-RELATED ADJUSTING ENTRIES

Management does not currently post debt-related adjusting entries in accordance with generally accepted accounting principles. The auditor, with oversight from management, recommends adjusting entries to the City to record the principal and interest payments accurately.

RECOMMENDATION

Management should receive training on posting debt-related activity.

RESPONSE - MT. PLEASANT CITY

The Recorder will receive training so that she can post the necessary entries.

2. FINDING - DRAFT FINANCIAL STATEMENTS

The City does not have an employee with the expertise to draft the City's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews, approves and accepts responsibility for financial statements.

RECOMMENDATION

Management should try to gain as much expertise as possible regarding the preparation of financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

RESPONSE - MT. PLEASANT CITY

The City will make sure the Recorder is trained so that she can take responsibility for financial statements to comply with the new requirements.

3. FINDING - ADJUSTMENTS TO ACCRUAL BASIS ACCOUNTING

Management does not currently post year-end adjusting entries necessary to adjust the financial statements to accrual basis accounting. For example, entries are not posted to reverse the prior year and accrue the current year accounts receivable and accounts payable. The auditor, with oversight from management, recommends adjusting entries to the City to adjust the financial statements to accrual basis accounting.

RECOMMENDATION

Management should receive training on posting year-end accrual basis adjusting entries.

RESPONSE - MT. PLEASANT CITY

The Recorder will find training to learn how to make adjustments to adjust basic financial statements to accrual basis.

4. FINDING - ADJUSTMENTS FOR EQUITY RESERVES

Management does not currently post year-end adjusting entries necessary to adjust the reserved equity accounts for the current year's activity. For example, entries are not posted to adjust the Class C Roads and various impact fee equity reserves to the correct year-end balances. The auditor, with oversight from management, recommends adjusting entries to the City to adjust the reserved equity account for the current year's activity.

RECOMMENDATION

Management should receive training on posting reserved equity account adjusting entries.

RESPONSE - MT. PLEASANT CITY

The Recorder will receive training so that she can learn to post the entries to the reserve equity accounts.

5. FINDING - ADJUSTMENTS FOR FIXED ASSETS

Management does not currently post year-end adjusting entries necessary to capitalize fixed assets and adjust the depreciation expense and accumulated depreciation to match the depreciation schedules. The auditor, with oversight from management, recommends adjusting entries to the City to capitalize the fixed assets purchased during the year and to match the various funds' depreciation amounts to the depreciation schedules.

RECOMMENDATION

Management should receive training on posting fixed asset and depreciation adjusting entries.

RESPONSE - MT. PLEASANT CITY

The Recorder will learn to use the asset management software so that she will have the information available and then will take training to post entries to capitalize fixed assets and adjust the depreciation schedules.